

BEE FLOOR AMENDMENT

SENATE AMENDMENTS TO S.B. 1340

(Reference to printed bill)

Page 7, line 14, strike “SOFTWARE ELECTRONIC MEDIA, DIGITAL MEDIA OR INTERNET”

Line 15, after “ASSESS” strike remainder of line, insert “OR TEST STUDENT
LEARNING OR TO PROMOTE CURRICULUM DESIGN OR ENHANCEMENT PURCHASED BY OR FOR
ANY”

Line 16, after the period insert “FOR THE PURPOSES OF THIS PARAGRAPH:

“(a) “APPLICATION SERVICES” MEANS SOFTWARE APPLICATIONS PROVIDED
REMOTELY USING HYPERTEXT TRANSFER PROTOCOL OR ANOTHER NETWORK PROTOCOL.

(b) “CURRICULUM DESIGN OR ENHANCEMENT” MEANS PLANNING, IMPLEMENTING OR
REPORTING ON COURSES OF STUDY, LESSONS, ASSIGNMENTS OR OTHER LEARNING
ACTIVITIES.”

Page 16, line 28, after the period insert “FOR THE PURPOSES OF THIS PARAGRAPH,
“APPLICATION SERVICES” MEANS SOFTWARE APPLICATIONS PROVIDED REMOTELY USING
HYPERTEXT TRANSFER PROTOCOL OR ANOTHER NETWORK PROTOCOL AND PURCHASED BY OR
FOR ANY SCHOOL DISTRICT, CHARTER SCHOOL, COMMUNITY COLLEGE OR STATE
UNIVERSITY TO ASSESS OR TEST STUDENT LEARNING OR TO PROMOTE CURRICULUM DESIGN
OR ENHANCEMENT, AS DEFINED IN SECTION 42-5061, SUBSECTION A, PARAGRAPH 55.”

Page 20, between lines 8 and 9, insert:

“Sec. 4. Section 42-5159, Arizona Revised Statutes, is amended to
read:

42-5159. Exemptions

A. The tax levied by this article does not apply to the storage, use
or consumption in this state of the following described tangible personal
property:

1. Tangible personal property sold in this state, the gross receipts
from the sale of which are included in the measure of the tax imposed by
articles 1 and 2 of this chapter.

2. Tangible personal property the sale or use of which has already
been subjected to an excise tax at a rate equal to or exceeding the tax
imposed by this article under the laws of another state of the United States.

1 If the excise tax imposed by the other state is at a rate less than the tax
2 imposed by this article, the tax imposed by this article is reduced by the
3 amount of the tax already imposed by the other state.

4 3. Tangible personal property, the storage, use or consumption of
5 which the constitution or laws of the United States prohibit this state from
6 taxing or to the extent that the rate or imposition of tax is
7 unconstitutional under the laws of the United States.

8 4. Tangible personal property which directly enters into and becomes
9 an ingredient or component part of any manufactured, fabricated or processed
10 article, substance or commodity for sale in the regular course of business.

11 5. Motor vehicle fuel and use fuel, the sales, distribution or use of
12 which in this state is subject to the tax imposed under title 28, chapter 16,
13 article 1, use fuel which is sold to or used by a person holding a valid
14 single trip use fuel tax permit issued under section 28-5739, aviation fuel,
15 the sales, distribution or use of which in this state is subject to the tax
16 imposed under section 28-8344, and jet fuel, the sales, distribution or use
17 of which in this state is subject to the tax imposed under article 8 of this
18 chapter.

19 6. Tangible personal property brought into this state by an individual
20 who was a nonresident at the time the property was purchased for storage, use
21 or consumption by the individual if the first actual use or consumption of
22 the property was outside this state, unless the property is used in
23 conducting a business in this state.

24 7. Purchases of implants used as growth promotants and injectable
25 medicines, not already exempt under paragraph 16 of this subsection, for
26 livestock and poultry owned by, or in possession of, persons who are engaged
27 in producing livestock, poultry, or livestock or poultry products, or who are
28 engaged in feeding livestock or poultry commercially. For the purposes of
29 this paragraph, "poultry" includes ratites.

30 8. Livestock, poultry, supplies, feed, salts, vitamins and other
31 additives for use or consumption in the businesses of farming, ranching and
32 feeding livestock or poultry, not including fertilizers, herbicides and

1 insecticides. For the purposes of this paragraph, "poultry" includes
2 ratites.

3 9. Seeds, seedlings, roots, bulbs, cuttings and other propagative
4 material for use in commercially producing agricultural, horticultural,
5 viticultural or floricultural crops in this state.

6 10. Tangible personal property not exceeding two hundred dollars in any
7 one month purchased by an individual at retail outside the continental limits
8 of the United States for the individual's own personal use and enjoyment.

9 11. Advertising supplements which are intended for sale with newspapers
10 published in this state and which have already been subjected to an excise
11 tax under the laws of another state in the United States which equals or
12 exceeds the tax imposed by this article.

13 12. Materials that are purchased by or for publicly funded libraries
14 including school district libraries, charter school libraries, community
15 college libraries, state university libraries or federal, state, county or
16 municipal libraries for use by the public as follows:

17 (a) Printed or photographic materials, beginning August 7, 1985.

18 (b) Electronic or digital media materials, beginning July 17, 1994.

19 13. Tangible personal property purchased by:

20 (a) A hospital organized and operated exclusively for charitable
21 purposes, no part of the net earnings of which inures to the benefit of any
22 private shareholder or individual.

23 (b) A hospital operated by this state or a political subdivision of
24 this state.

25 (c) A licensed nursing care institution or a licensed residential care
26 institution or a residential care facility operated in conjunction with a
27 licensed nursing care institution or a licensed kidney dialysis center, which
28 provides medical services, nursing services or health related services and is
29 not used or held for profit.

30 (d) A qualifying health care organization, as defined in section
31 42-5001, if the tangible personal property is used by the organization solely
32 to provide health and medical related educational and charitable services.

1 (e) A qualifying health care organization as defined in section
2 42-5001 if the organization is dedicated to providing educational,
3 therapeutic, rehabilitative and family medical education training for blind,
4 visually impaired and multihandicapped children from the time of birth to age
5 twenty-one.

6 (f) A nonprofit charitable organization that has qualified under
7 section 501(c)(3) of the United States internal revenue code and that engages
8 in and uses such property exclusively in programs for mentally or physically
9 handicapped persons if the programs are exclusively for training, job
10 placement, rehabilitation or testing.

11 (g) A person that is subject to tax under article 1 of this chapter by
12 reason of being engaged in business classified under the prime contracting
13 classification under section 42-5075, or a subcontractor working under the
14 control of a prime contractor, if the tangible personal property is any of
15 the following:

16 (i) Incorporated or fabricated by the contractor into a structure,
17 project, development or improvement in fulfillment of a contract.

18 (ii) Used in environmental response or remediation activities under
19 section 42-5075, subsection B, paragraph 6.

20 (iii) Incorporated or fabricated by the person into any lake facility
21 development in a commercial enhancement reuse district under conditions
22 prescribed for the deduction allowed by section 42-5075, subsection B,
23 paragraph 8.

24 (h) A nonprofit charitable organization that has qualified under
25 section 501(c)(3) of the internal revenue code if the property is purchased
26 from the parent or an affiliate organization that is located outside this
27 state.

28 (i) A qualifying community health center as defined in section
29 42-5001.

30 (j) A nonprofit charitable organization that has qualified under
31 section 501(c)(3) of the internal revenue code and that regularly serves
32 meals to the needy and indigent on a continuing basis at no cost.

1 (k) A person engaged in business under the transient lodging
2 classification if the property is a personal hygiene item or articles used by
3 human beings for food, drink or condiment, except alcoholic beverages, which
4 are furnished without additional charge to and intended to be consumed by the
5 transient during the transient's occupancy.

6 (1) For taxable periods beginning from and after June 30, 2001, a
7 nonprofit charitable organization that has qualified under section 501(c)(3)
8 of the internal revenue code and that provides residential apartment housing
9 for low income persons over sixty-two years of age in a facility that
10 qualifies for a federal housing subsidy, if the tangible personal property is
11 used by the organization solely to provide residential apartment housing for
12 low income persons over sixty-two years of age in a facility that qualifies
13 for a federal housing subsidy.

14 14. Commodities, as defined by title 7 United States Code section 2,
15 that are consigned for resale in a warehouse in this state in or from which
16 the commodity is deliverable on a contract for future delivery subject to the
17 rules of a commodity market regulated by the United States commodity futures
18 trading commission.

19 15. Tangible personal property sold by:

20 (a) Any nonprofit organization organized and operated exclusively for
21 charitable purposes and recognized by the United States internal revenue
22 service under section 501(c)(3) of the internal revenue code.

23 (b) A nonprofit organization that is exempt from taxation under
24 section 501(c)(3) or 501(c)(6) of the internal revenue code if the
25 organization is associated with a major league baseball team or a national
26 touring professional golfing association and no part of the organization's
27 net earnings inures to the benefit of any private shareholder or individual.

28 (c) A nonprofit organization that is exempt from taxation under
29 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the
30 internal revenue code if the organization sponsors or operates a rodeo
31 featuring primarily farm and ranch animals and no part of the organization's
32 net earnings inures to the benefit of any private shareholder or individual.

1 16. Drugs and medical oxygen, including delivery hose, mask or tent,
2 regulator and tank, on the prescription of a member of the medical, dental or
3 veterinarian profession who is licensed by law to administer such substances.

4 17. Prosthetic appliances, as defined in section 23-501, prescribed or
5 recommended by a person who is licensed, registered or otherwise
6 professionally credentialed as a physician, dentist, podiatrist,
7 chiropractor, naturopath, homeopath, nurse or optometrist.

8 18. Prescription eyeglasses and contact lenses.

9 19. Insulin, insulin syringes and glucose test strips.

10 20. Hearing aids as defined in section 36-1901.

11 21. Durable medical equipment which has a centers for medicare and
12 medicaid services common procedure code, is designated reimbursable by
13 medicare, is prescribed by a person who is licensed under title 32, chapter
14 7, 13, 17 or 29, can withstand repeated use, is primarily and customarily
15 used to serve a medical purpose, is generally not useful to a person in the
16 absence of illness or injury and is appropriate for use in the home.

17 22. Food, as provided in and subject to the conditions of article 3 of
18 this chapter and section 42-5074.

19 23. Items purchased with United States department of agriculture food
20 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.
21 958) or food instruments issued under section 17 of the child nutrition act
22 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code
23 section 1786).

24 24. Food and drink provided without monetary charge by a taxpayer which
25 is subject to section 42-5074 to its employees for their own consumption on
26 the premises during the employees' hours of employment.

27 25. Tangible personal property that is used or consumed in a business
28 subject to section 42-5074 for human food, drink or condiment, whether
29 simple, mixed or compounded.

30 26. Food, drink or condiment and accessory tangible personal property
31 that are acquired for use by or provided to a school district or charter
32 school if they are to be either served or prepared and served to persons for

1 consumption on the premises of a public school in a school district during
2 school hours.

3 27. Lottery tickets or shares purchased pursuant to title 5, chapter 5,
4 article 1.

5 28. Textbooks, sold by a bookstore, that are required by any state
6 university or community college.

7 29. Magazines, other periodicals or other publications produced by this
8 state to encourage tourist travel.

9 30. Paper machine clothing, such as forming fabrics and dryer felts,
10 purchased by a paper manufacturer and directly used or consumed in paper
11 manufacturing.

12 31. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity
13 purchased by a qualified environmental technology manufacturer, producer or
14 processor as defined in section 41-1514.02 and directly used or consumed in
15 the generation or provision of on-site power or energy solely for
16 environmental technology manufacturing, producing or processing or
17 environmental protection. This paragraph shall apply for fifteen full
18 consecutive calendar or fiscal years from the date the first paper
19 manufacturing machine is placed in service. In the case of an environmental
20 technology manufacturer, producer or processor who does not manufacture
21 paper, the time period shall begin with the date the first manufacturing,
22 processing or production equipment is placed in service.

23 32. Motor vehicles that are removed from inventory by a motor vehicle
24 dealer as defined in section 28-4301 and that are provided to:

25 (a) Charitable or educational institutions that are exempt from
26 taxation under section 501(c)(3) of the internal revenue code.

27 (b) Public educational institutions.

28 (c) State universities or affiliated organizations of a state
29 university if no part of the organization's net earnings inures to the
30 benefit of any private shareholder or individual.

31 33. Natural gas or liquefied petroleum gas used to propel a motor
32 vehicle.

1 34. Machinery, equipment, technology or related supplies that are only
2 useful to assist a person who is physically disabled as defined in section
3 46-191, has a developmental disability as defined in section 36-551 or has a
4 head injury as defined in section 41-3201 to be more independent and
5 functional.

6 35. Liquid, solid or gaseous chemicals used in manufacturing,
7 processing, fabricating, mining, refining, metallurgical operations, research
8 and development and, beginning on January 1, 1999, printing, if using or
9 consuming the chemicals, alone or as part of an integrated system of
10 chemicals, involves direct contact with the materials from which the product
11 is produced for the purpose of causing or permitting a chemical or physical
12 change to occur in the materials as part of the production process. This
13 paragraph does not include chemicals that are used or consumed in activities
14 such as packaging, storage or transportation but does not affect any
15 exemption for such chemicals that is otherwise provided by this section. For
16 the purposes of this paragraph, "printing" means a commercial printing
17 operation and includes job printing, engraving, embossing, copying and
18 bookbinding.

19 36. Food, drink and condiment purchased for consumption within the
20 premises of any prison, jail or other institution under the jurisdiction of
21 the state department of corrections, the department of public safety, the
22 department of juvenile corrections or a county sheriff.

23 37. A motor vehicle and any repair and replacement parts and tangible
24 personal property becoming a part of such motor vehicle sold to a motor
25 carrier who is subject to a fee prescribed in title 28, chapter 16, article 4
26 and who is engaged in the business of leasing or renting such property.

27 38. Tangible personal property which is or directly enters into and
28 becomes an ingredient or component part of cards used as prescription plan
29 identification cards.

30 39. Overhead materials or other tangible personal property that is used
31 in performing a contract between the United States government and a
32 manufacturer, modifier, assembler or repairer, including property used in
33 performing a subcontract with a government contractor who is a manufacturer,

1 modifier, assembler or repairer, to which title passes to the government
2 under the terms of the contract or subcontract. For the purposes of this
3 paragraph:

4 (a) "Overhead materials" means tangible personal property, the gross
5 proceeds of sales or gross income derived from which would otherwise be
6 included in the retail classification, and which are used or consumed in the
7 performance of a contract, the cost of which is charged to an overhead
8 expense account and allocated to various contracts based upon generally
9 accepted accounting principles and consistent with government contract
10 accounting standards.

11 (b) "Subcontract" means an agreement between a contractor and any
12 person who is not an employee of the contractor for furnishing of supplies or
13 services that, in whole or in part, are necessary to the performance of one
14 or more government contracts, or under which any portion of the contractor's
15 obligation under one or more government contracts is performed, undertaken or
16 assumed, and that includes provisions causing title to overhead materials or
17 other tangible personal property used in the performance of the subcontract
18 to pass to the government or that includes provisions incorporating such
19 title passing clauses in a government contract into the subcontract.

20 40. Through December 31, 1994, tangible personal property sold pursuant
21 to a personal property liquidation transaction, as defined in section
22 42-5061. From and after December 31, 1994, tangible personal property sold
23 pursuant to a personal property liquidation transaction, as defined in
24 section 42-5061, if the gross proceeds of the sales were included in the
25 measure of the tax imposed by article 1 of this chapter or if the personal
26 property liquidation was a casual activity or transaction.

27 41. Wireless telecommunications equipment that is held for sale or
28 transfer to a customer as an inducement to enter into or continue a contract
29 for telecommunications services that are taxable under section 42-5064.

30 42. Alternative fuel, as defined in section 1-215, purchased by a used
31 oil fuel burner who has received a permit to burn used oil or used oil fuel
32 under section 49-426 or 49-480.

1 43. Tangible personal property purchased by a commercial airline and
2 consisting of food, beverages and condiments and accessories used for serving
3 the food and beverages, if those items are to be provided without additional
4 charge to passengers for consumption in flight. For the purposes of this
5 paragraph, "commercial airline" means a person holding a federal certificate
6 of public convenience and necessity or foreign air carrier permit for air
7 transportation to transport persons, property or United States mail in
8 intrastate, interstate or foreign commerce.

9 44. Alternative fuel vehicles if the vehicle was manufactured as a
10 diesel fuel vehicle and converted to operate on alternative fuel and
11 equipment that is installed in a conventional diesel fuel motor vehicle to
12 convert the vehicle to operate on an alternative fuel, as defined in section
13 1-215.

14 45. Gas diverted from a pipeline, by a person engaged in the business
15 of:

16 (a) Operating a natural or artificial gas pipeline, and used or
17 consumed for the sole purpose of fueling compressor equipment that
18 pressurizes the pipeline.

19 (b) Converting natural gas into liquefied natural gas, and used or
20 consumed for the sole purpose of fueling compressor equipment used in the
21 conversion process.

22 46. Tangible personal property that is excluded, exempt or deductible
23 from transaction privilege tax pursuant to section 42-5063.

24 47. Tangible personal property purchased to be incorporated or
25 installed as part of environmental response or remediation activities under
26 section 42-5075, subsection B, paragraph 6.

27 48. Tangible personal property sold by a nonprofit organization that is
28 exempt from taxation under section 501(c)(6) of the internal revenue code if
29 the organization produces, organizes or promotes cultural or civic related
30 festivals or events and no part of the organization's net earnings inures to
31 the benefit of any private shareholder or individual.

32 49. Prepared food, drink or condiment donated by a restaurant as
33 classified in section 42-5074, subsection A to a nonprofit charitable

1 organization that has qualified under section 501(c)(3) of the internal
2 revenue code and that regularly serves meals to the needy and indigent on a
3 continuing basis at no cost.

4 50. APPLICATION SERVICES THAT ARE DESIGNED TO ASSESS OR TEST STUDENT
5 LEARNING OR TO PROMOTE CURRICULUM DESIGN OR ENHANCEMENT PURCHASED BY OR FOR
6 ANY SCHOOL DISTRICT, CHARTER SCHOOL, COMMUNITY COLLEGE OR STATE UNIVERSITY.
7 FOR THE PURPOSES OF THIS PARAGRAPH:

8 (a) "APPLICATION SERVICES" MEANS SOFTWARE APPLICATIONS PROVIDED
9 REMOTELY USING HYPERTEXT TRANSFER PROTOCOL OR ANOTHER NETWORK PROTOCOL.

10 (b) "CURRICULUM DESIGN OR ENHANCEMENT" MEANS PLANNING, IMPLEMENTING OR
11 REPORTING ON COURSES OF STUDY, LESSONS, ASSIGNMENTS OR OTHER LEARNING
12 ACTIVITIES.

13 B. In addition to the exemptions allowed by subsection A of this
14 section, the following categories of tangible personal property are also
15 exempt:

16 1. Machinery, or equipment, used directly in manufacturing,
17 processing, fabricating, job printing, refining or metallurgical operations.
18 The terms "manufacturing", "processing", "fabricating", "job printing",
19 "refining" and "metallurgical" as used in this paragraph refer to and include
20 those operations commonly understood within their ordinary meaning.
21 "Metallurgical operations" includes leaching, milling, precipitating,
22 smelting and refining.

23 2. Machinery, or equipment, used directly in the process of extracting
24 ores or minerals from the earth for commercial purposes, including equipment
25 required to prepare the materials for extraction and handling, loading or
26 transporting such extracted material to the surface. "Mining" includes
27 underground, surface and open pit operations for extracting ores and
28 minerals.

29 3. Tangible personal property sold to persons engaged in business
30 classified under the telecommunications classification under section 42-5064
31 and consisting of central office switching equipment, switchboards, private
32 branch exchange equipment, microwave radio equipment and carrier equipment

1 including optical fiber, coaxial cable and other transmission media which are
2 components of carrier systems.

3 4. Machinery, equipment or transmission lines used directly in
4 producing or transmitting electrical power, but not including distribution.
5 Transformers and control equipment used at transmission substation sites
6 constitute equipment used in producing or transmitting electrical power.

7 5. Neat animals, horses, asses, sheep, ratites, swine or goats used or
8 to be used as breeding or production stock, including sales of breedings or
9 ownership shares in such animals used for breeding or production.

10 6. Pipes or valves four inches in diameter or larger used to transport
11 oil, natural gas, artificial gas, water or coal slurry, including compressor
12 units, regulators, machinery and equipment, fittings, seals and any other
13 part that is used in operating the pipes or valves.

14 7. Aircraft, navigational and communication instruments and other
15 accessories and related equipment sold to:

16 (a) A person holding a federal certificate of public convenience and
17 necessity, a supplemental air carrier certificate under federal aviation
18 regulations (14 Code of Federal Regulations part 121) or a foreign air
19 carrier permit for air transportation for use as or in conjunction with or
20 becoming a part of aircraft to be used to transport persons, property or
21 United States mail in intrastate, interstate or foreign commerce.

22 (b) Any foreign government for use by such government outside of this
23 state, or sold to persons who are not residents of this state and who will
24 not use such property in this state other than in removing such property from
25 this state.

26 8. Machinery, tools, equipment and related supplies used or consumed
27 directly in repairing, remodeling or maintaining aircraft, aircraft engines
28 or aircraft component parts by or on behalf of a certificated or licensed
29 carrier of persons or property.

30 9. Rolling stock, rails, ties and signal control equipment used
31 directly to transport persons or property.

1 10. Machinery or equipment used directly to drill for oil or gas or
2 used directly in the process of extracting oil or gas from the earth for
3 commercial purposes.

4 11. Buses or other urban mass transit vehicles which are used directly
5 to transport persons or property for hire or pursuant to a governmentally
6 adopted and controlled urban mass transportation program and which are sold
7 to bus companies holding a federal certificate of convenience and necessity
8 or operated by any city, town or other governmental entity or by any person
9 contracting with such governmental entity as part of a governmentally adopted
10 and controlled program to provide urban mass transportation.

11 12. Groundwater measuring devices required under section 45-604.

12 13. New machinery and equipment consisting of tractors, tractor-drawn
13 implements, self-powered implements, machinery and equipment necessary for
14 extracting milk, and machinery and equipment necessary for cooling milk and
15 livestock, and drip irrigation lines not already exempt under paragraph 6 of
16 this subsection and that are used for commercial production of agricultural,
17 horticultural, viticultural and floricultural crops and products in this
18 state. For the purposes of this paragraph:

19 (a) "New machinery and equipment" means machinery or equipment which
20 has never been sold at retail except pursuant to leases or rentals which do
21 not total two years or more.

22 (b) "Self-powered implements" includes machinery and equipment that
23 are electric-powered.

24 14. Machinery or equipment used in research and development. For the
25 purposes of this paragraph, "research and development" means basic and
26 applied research in the sciences and engineering, and designing, developing
27 or testing prototypes, processes or new products, including research and
28 development of computer software that is embedded in or an integral part of
29 the prototype or new product or that is required for machinery or equipment
30 otherwise exempt under this section to function effectively. Research and
31 development do not include manufacturing quality control, routine consumer
32 product testing, market research, sales promotion, sales service, research in
33 social sciences or psychology, computer software research that is not

1 included in the definition of research and development, or other
2 nontechnological activities or technical services.

3 15. Machinery and equipment that are purchased by or on behalf of the
4 owners of a soundstage complex and primarily used for motion picture,
5 multimedia or interactive video production in the complex. This paragraph
6 applies only if the initial construction of the soundstage complex begins
7 after June 30, 1996 and before January 1, 2002 and the machinery and
8 equipment are purchased before the expiration of five years after the start
9 of initial construction. For the purposes of this paragraph:

10 (a) "Motion picture, multimedia or interactive video production"
11 includes products for theatrical and television release, educational
12 presentations, electronic retailing, documentaries, music videos, industrial
13 films, CD-ROM, video game production, commercial advertising and television
14 episode production and other genres that are introduced through developing
15 technology.

16 (b) "Soundstage complex" means a facility of multiple stages including
17 production offices, construction shops and related areas, prop and costume
18 shops, storage areas, parking for production vehicles and areas that are
19 leased to businesses that complement the production needs and orientation of
20 the overall facility.

21 16. Tangible personal property that is used by either of the following
22 to receive, store, convert, produce, generate, decode, encode, control or
23 transmit telecommunications information:

24 (a) Any direct broadcast satellite television or data transmission
25 service that operates pursuant to 47 Code of Federal Regulations parts 25 and
26 100.

27 (b) Any satellite television or data transmission facility, if both of
28 the following conditions are met:

29 (i) Over two-thirds of the transmissions, measured in megabytes,
30 transmitted by the facility during the test period were transmitted to or on
31 behalf of one or more direct broadcast satellite television or data
32 transmission services that operate pursuant to 47 Code of Federal Regulations
33 parts 25 and 100.

1 (ii) Over two-thirds of the transmissions, measured in megabytes,
2 transmitted by or on behalf of those direct broadcast television or data
3 transmission services during the test period were transmitted by the facility
4 to or on behalf of those services.

5 For the purposes of subdivision (b) of this paragraph, "test period" means
6 the three hundred sixty-five day period beginning on the later of the date on
7 which the tangible personal property is purchased or the date on which the
8 direct broadcast satellite television or data transmission service first
9 transmits information to its customers.

10 17. Clean rooms that are used for manufacturing, processing,
11 fabrication or research and development, as defined in paragraph 14 of this
12 subsection, of semiconductor products. For the purposes of this paragraph,
13 "clean room" means all property that comprises or creates an environment
14 where humidity, temperature, particulate matter and contamination are
15 precisely controlled within specified parameters, without regard to whether
16 the property is actually contained within that environment or whether any of
17 the property is affixed to or incorporated into real property. Clean room:

18 (a) Includes the integrated systems, fixtures, piping, movable
19 partitions, lighting and all property that is necessary or adapted to reduce
20 contamination or to control airflow, temperature, humidity, chemical purity
21 or other environmental conditions or manufacturing tolerances, as well as the
22 production machinery and equipment operating in conjunction with the clean
23 room environment.

24 (b) Does not include the building or other permanent, nonremovable
25 component of the building that houses the clean room environment.

26 18. Machinery and equipment that are used directly in the feeding of
27 poultry, the environmental control of housing for poultry, the movement of
28 eggs within a production and packaging facility or the sorting or cooling of
29 eggs. This exemption does not apply to vehicles used for transporting eggs.

30 19. Machinery or equipment, including related structural components,
31 that is employed in connection with manufacturing, processing, fabricating,
32 job printing, refining, mining, natural gas pipelines, metallurgical
33 operations, telecommunications, producing or transmitting electricity or

1 research and development and that is used directly to meet or exceed rules or
2 regulations adopted by the federal energy regulatory commission, the United
3 States environmental protection agency, the United States nuclear regulatory
4 commission, the Arizona department of environmental quality or a political
5 subdivision of this state to prevent, monitor, control or reduce land, water
6 or air pollution.

7 20. Machinery and equipment that are used in the commercial production
8 of livestock, livestock products or agricultural, horticultural, viticultural
9 or floricultural crops or products in this state and that are used directly
10 and primarily to prevent, monitor, control or reduce air, water or land
11 pollution.

12 21. Machinery or equipment that enables a television station to
13 originate and broadcast or to receive and broadcast digital television
14 signals and that was purchased to facilitate compliance with the
15 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United States
16 Code section 336) and the federal communications commission order issued
17 April 21, 1997 (47 Code of Federal Regulations part 73). This paragraph does
18 not exempt any of the following:

19 (a) Repair or replacement parts purchased for the machinery or
20 equipment described in this paragraph.

21 (b) Machinery or equipment purchased to replace machinery or equipment
22 for which an exemption was previously claimed and taken under this paragraph.

23 (c) Any machinery or equipment purchased after the television station
24 has ceased analog broadcasting, or purchased after November 1, 2009,
25 whichever occurs first.

26 22. Qualifying equipment that is purchased from and after June 30, 2004
27 through June 30, 2014 by a qualified business under section 41-1516 for
28 harvesting or the initial processing of qualifying forest products removed
29 from qualifying projects as defined in section 41-1516. To qualify for this
30 exemption, the qualified business must obtain and present its certification
31 from the department of commerce at the time of purchase.

32 23. Machinery, equipment and other tangible personal property used
33 directly in motion picture production by a motion picture production company.

1 To qualify for this exemption, at the time of purchase, the motion picture
2 production company must present to the retailer its certificate that is
3 issued pursuant to section 42-5009, subsection H and that establishes its
4 qualification for the exemption.

5 C. The exemptions provided by subsection B of this section do not
6 include:

7 1. Expendable materials. For the purposes of this paragraph,
8 expendable materials do not include any of the categories of tangible
9 personal property specified in subsection B of this section regardless of the
10 cost or useful life of that property.

11 2. Janitorial equipment and hand tools.

12 3. Office equipment, furniture and supplies.

13 4. Tangible personal property used in selling or distributing
14 activities, other than the telecommunications transmissions described in
15 subsection B, paragraph 16 of this section.

16 5. Motor vehicles required to be licensed by this state, except buses
17 or other urban mass transit vehicles specifically exempted pursuant to
18 subsection B, paragraph 11 of this section, without regard to the use of such
19 motor vehicles.

20 6. Shops, buildings, docks, depots and all other materials of whatever
21 kind or character not specifically included as exempt.

22 7. Motors and pumps used in drip irrigation systems.

23 D. The following shall be deducted in computing the purchase price of
24 electricity by a retail electric customer from a utility business:

25 1. Revenues received from sales of ancillary services, electric
26 distribution services, electric generation services, electric transmission
27 services and other services related to providing electricity to a retail
28 electric customer who is located outside this state for use outside this
29 state if the electricity is delivered to a point of sale outside this state.

30 2. Revenues received from providing electricity, including ancillary
31 services, electric distribution services, electric generation services,
32 electric transmission services and other services related to providing

1 electricity with respect to which the transaction privilege tax imposed under
2 section 42-5063 has been paid.

3 E. The tax levied by this article does not apply to:

4 1. The storage, use or consumption in Arizona of machinery, equipment,
5 materials or other tangible personal property if used directly and
6 predominantly to construct a qualified environmental technology
7 manufacturing, producing or processing facility, as described in section
8 41-1514.02. This paragraph applies for ten full consecutive calendar or
9 fiscal years after the start of initial construction.

10 2. The purchase of electricity by a qualified environmental technology
11 manufacturer, producer or processor as defined in section 41-1514.02 that is
12 used directly in environmental technology manufacturing, producing or
13 processing. This paragraph shall apply for fifteen full consecutive calendar
14 or fiscal years from the date the first paper manufacturing machine is placed
15 in service. In the case of an environmental technology manufacturer,
16 producer or processor who does not manufacture paper, the time period shall
17 begin with the date the first manufacturing, processing or production
18 equipment is placed in service.

19 F. The following shall be deducted in computing the purchase price of
20 electricity by a retail electric customer from a utility business:

21 1. Fees charged by a municipally owned utility to persons constructing
22 residential, commercial or industrial developments or connecting residential,
23 commercial or industrial developments to a municipal utility system or
24 systems if the fees are segregated and used only for capital expansion,
25 system enlargement or debt service of the utility system or systems.

26 2. Reimbursement or contribution compensation to any person or persons
27 owning a utility system for property and equipment installed to provide
28 utility access to, on or across the land of an actual utility consumer if the
29 property and equipment become the property of the utility. This deduction
30 shall not exceed the value of such property and equipment.

31 G. For the purposes of subsection B of this section:

32 1. "Aircraft" includes:

1 (a) An airplane flight simulator that is approved by the federal
2 aviation administration for use as a phase II or higher flight simulator
3 under appendix H, 14 Code of Federal Regulations part 121.

4 (b) Tangible personal property that is permanently affixed or attached
5 as a component part of an aircraft that is owned or operated by a
6 certificated or licensed carrier of persons or property.

7 2. "Other accessories and related equipment" includes aircraft
8 accessories and equipment such as ground service equipment that physically
9 contact aircraft at some point during the overall carrier operation.

10 H. For the purposes of subsection D of this section, "ancillary
11 services", "electric distribution service", "electric generation service",
12 "electric transmission service" and "other services" have the same meanings
13 prescribed in section 42-5063."

14 Renumber to conform

15 Amend title to conform

2/21/08

8:12 AM

TB/ac